



Southwest Montana Building Industry Association

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Thursday, May 03, 2012

To:
City of Bozeman
Bozeman City Commissioners,
Tim McHarg, Planning Director
Affordable Housing Committee Members

The Southwest Montana Building Industry Association would like to offer the following comments regarding the City of Bozeman Affordable Housing Action Plan discussion draft. SWMBIA strongly supports market and incentive based efforts to ensure the adequate supply of affordable housing for Bozeman citizens. We strongly believe that maintaining a stock of affordable housing enriches our community in a number of ways. The building community stands ready to take part in a long term, community wide, broadly supported strategy to achieve that goal. To that end, we offer the following comments on the discussion draft.

General Comments

First, we are encouraged by the draft's focus on using local non-profits, state and federal funding, and market based incentives to increase the supply of affordable housing. We also applaud the draft for recognizing the negative effects of city regulations on the creation of affordable housing, in particular the failure of the Workforce Housing Ordinance. Additionally, we appreciate that the draft recognizes the challenge of building affordable homes under the current impact fee system. For an affordable home for buyers at or below 65% of area median income, impact fees and their associated costs represent almost 10% of the final sales price of a newly constructed home.

Second, we urge the CAHAB and City Commission to ensure that all burdens for providing affordable housing should be spread across the entire community, and not simply levied on buyers of new homes. SWMBIA believes that a socio-economically diverse community benefits everyone, and therefore, the responsibility for ensuring a healthy supply of affordable homes rests on the city as a whole. We believe that any mechanisms the city puts in place to fund affordable housing should be paid for by the entire community, not simply by new home buyers.

Third, we hope that the CAHAB considers the lessons learned, both positive and negative, from current policies and projects. The Workforce Housing Ordinance has failed to produce a single affordable home over the past four years. While some of this is clearly related to the implosion of the housing market over the last several years, SWMBIA has argued since the ordinance's inception that it was likely to fail. The city should also take note of the slow sales in HRDC's project on Cottonwood. Despite the

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outstanding price points of these condos, the homebuyer requirements, restrictions, and market position of these units has made them difficult to sell.

Action Plan Comments

Regarding Part 2: Affordable Housing Strategies and Action Items, SWMBIA would like to call the board's attention to the following issues:

Item 1.2: Build and sell "low market-rate" homes (for-profits)

This is central to SWMBIA's Mission Statement. We fully support market based incentives for for-profit builders to profitably build homes at price points that are affordable for residents of all income levels, including 60%-100% of AMI.

Item 1.5: Provide more housing for people with special needs:

SWMBIA endorses this action item.

Item 1.7 Encourage energy-efficient residential construction and retrofits

We certainly encourage builders to meet and, when practically and financially feasible, exceed, current building and energy codes. SWMBIA has already certified dozens of builders and associates under the NAHB Green program, and SWMBIA members have been active in certifying houses through the EnergyStar, NAHB Green, and LEED-H programs. It is important to note, however, that we oppose any mandatory certification of housing due to the high cost associated with many of these certification programs. However, with that in mind, SWMBIA members have been at the forefront of green building around Bozeman and we would encourage the city to take advantage of the expertise and experience of the SWMBIA Green Building Committee.

Item 2.1: Continue the suspension of inclusionary zoning:

We support this action item and encourage the city to repeal the Inclusionary Zoning Ordinance. Studies of inclusionary zoning have made it clear that IZ policies increase the market price of housing, decrease the supply of market based housing, and are extremely complicated and difficult for municipalities to manage. Inclusionary zoning forces cities to pass policies such as deed restrictions on affordable housing. We urge the city to fully repeal the Workforce Housing Ordinance, as well as all deed restrictions on existing affordable housing lots, in favor of market and incentive based systems.

We further note that the trigger mechanisms described in Appendix D have little or nothing to do with either the supply of, or the demand for, affordable housing. Given the arbitrary nature of these triggers, as well as the failures of the existing Inclusionary Zoning policy, we urge the city to permanently repeal the existing Workforce Housing Ordinance and permanently remove the associated deed restrictions on existing lots.

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Item 2.2: Defer or subsidize impact fees for affordable housing construction

We applaud the recognition that impact fees provide a substantial impediment to affordable housing construction, and SWMBIA is actively involved in revising the current impact fee statutes in order to create a more fair and equitable means of funding our city's infrastructure. SWMBIA believes that growth should pay its fair share, but as currently structured, impact fees are one of the largest line items in the budget for an 'affordable' house. Impact fees are highly regressive on low income property and substantially increase the financial risk of building affordable housing. In addition, the timing of the payment of impact fees creates risk and uncertainty for the builder, which ultimately raises the price of a new home. We encourage CAHAB to work with the Impact Fee Advisory Board, SWMBIA, and the City Commission to create a more reasonable and fair impact fee structure that facilitates the ultimate goal of producing a robust stock of affordable housing, without resorting to complicated deferrals or expensive subsidies.

We encourage the city to examine this proposal in the light of the lessons learned from HRDC's Cottonwood project, in particular the technical difficulties of closing second mortgages on the units. Any mechanisms the city chooses to use to subsidize impact fees must be technically feasible and respect real world and market conditions and restraints..

Item 2.3: Allow the creation of smaller lots with more flexible dimensional standards

Item 2.4: Consider more flexible requirements for re-platting subdivisions

Item 2.5: Review ordinance requirements for accessory dwelling units

SWMBIA strongly supports any effort to clarify and simplify the design review and permitting process as well as any attempt to reduce the complexity of the re-platting process. We encourage the city to make it easier to build marketable housing on smaller lots, including Accessory Dwelling Units, where appropriate.. Small lots and ADUs are critical components to creating more affordable housing stock, but such standards must be driven by market demand, not municipal mandate. We strongly encourage the City to fully rescind the Restricted Size Lot ("RSL") requirements that are currently suspended, create an administrative process for the re-platting of existing RSL lots, and eliminate the maximum house size requirements required for existing RSL lots as a means of allowing these smaller lot sizes to be utilized more effectively in existing subdivisions.

Strategies 3 & 4: Assure Financial and Organizational Capacity and Share Crucial Market Data and Report on Progress

We strongly support using non-profit housing organizations as well as state, federal, and private grants to support the development of affordable housing. We are committed to ensuring that any monies from the Workforce Housing Fund are used in an intelligent and responsible manner. Most importantly, we hope the city takes the

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recommendations in Section 4 seriously so all involved stakeholders in the community have access to relevant and accurate data regarding housing affordability.

We thank you for your reviewing our comments on behalf of SWMBIA.

Sincerely,

Rob Evans
Constructive Solutions, Inc.
SWMBIA Chairman of the Board

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